

Financial Statements and Report of Independent Certified
Public Accountants

Anne Ray Foundation

December 31, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Anne Ray Foundation

Opinion

We have audited the financial statements of Anne Ray Foundation (the “Entity”), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity’s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Chicago, Illinois
September 18, 2023

FINANCIAL STATEMENTS

Anne Ray Foundation
Statements of Financial Position
December 31, 2022 and 2021

| | 2022 | 2021 |
|--|------------------|------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 27,368,146 | \$ 19,434,940 |
| Receivables and Prepaid Expenses | 5,527,609 | 5,870,291 |
| Investments | 4,721,384,529 | 5,467,454,114 |
| Total Assets | \$ 4,754,280,284 | \$ 5,492,759,345 |
| LIABILITIES AND NET ASSETS | | |
| Accounts Payable and Other Liabilities | \$ 13,252,723 | \$ 15,155,396 |
| Grants Payable, Net | 111,959,229 | 117,701,202 |
| Loans Payable | 27,000,000 | - |
| Total Liabilities | 152,211,952 | 132,856,598 |
| Net Assets Without Donor Restrictions | 4,602,068,332 | 5,359,902,747 |
| Total Liabilities and Net Assets | \$ 4,754,280,284 | \$ 5,492,759,345 |

The accompanying notes are an integral part of these financial statements.

Anne Ray Foundation
Statements of Activities
For the years ended December 31, 2022 and 2021

| | 2022 | 2021 |
|--|------------------|------------------|
| REVENUES | | |
| Investment Return, Net | \$ (593,456,493) | \$ 815,930,296 |
| Total Revenues | (593,456,493) | 815,930,296 |
| EXPENSES | | |
| Grants and Grantmaking | 159,729,086 | 169,188,820 |
| Management and General | 4,648,836 | 5,093,373 |
| Total Expenses | 164,377,922 | 174,282,193 |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | (757,834,415) | 641,648,103 |
| Net Assets Without Donor Restrictions - Beginning of Year | 5,359,902,747 | 4,718,254,644 |
| NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR | \$ 4,602,068,332 | \$ 5,359,902,747 |

The accompanying notes are an integral part of these financial statements.

Anne Ray Foundation
Statements of Cash Flows
For the years ended December 31, 2022 and 2021

| | 2022 | 2021 |
|--|------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets Without Donor Restrictions | \$ (757,834,415) | \$ 641,648,103 |
| Adjustments to Reconcile Change in Net Assets Without Donor Restrictions to Net Cash Provided by (Used in) Operating Activities: | | |
| Net Realized (Gains) Losses on Investments | 55,118,899 | (217,081,018) |
| Net Unrealized (Gains) Losses on Investments | 548,184,967 | (593,806,473) |
| Changes in Assets and Liabilities: | | |
| Receivables and Prepaid Expenses | 342,682 | (4,905,005) |
| Accounts Payable and Other Liabilities | (1,902,673) | 953,430 |
| Grants Payable | (5,741,973) | 27,613,904 |
| Net Cash Provided by (Used in) Operating Activities | (161,832,513) | (145,577,059) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Investments | (1,146,040,599) | (1,062,457,866) |
| Proceeds from Sales of Investments | 1,288,806,318 | 1,212,976,891 |
| Net Cash Provided by (Used in) Investing Activities | 142,765,719 | 150,519,025 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash Received from Lines of Credit | 27,000,000 | - |
| Net Cash Provided by (Used in) Financing Activities | 27,000,000 | - |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 7,933,206 | 4,941,966 |
| Cash and Cash Equivalents - Beginning of Year | 19,434,940 | 14,492,974 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 27,368,146 | \$ 19,434,940 |
| SUPPLEMENTAL DISCLOSURES | | |
| Interest Paid | \$ 219,010 | \$ - |
| Taxes Paid | \$ 123,489 | \$ - |

The accompanying notes are an integral part of these financial statements.

Anne Ray Foundation
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Anne Ray Foundation (Anne Ray) is a Minnesota nonprofit corporation dedicated to providing meaningful assistance and support to society, the arts, and the environment. The mission of Anne Ray is to provide meaningful support to some or all of its designated supported organizations to make a measurable and sustainable difference on our identified priority problems. Each supported organization, in order to receive support and benefit, must be qualified as an organization as described in Section 509(a)(1) or 509(a)(2) of the Internal Revenue Code (IRC).

Net Asset Classification

Net assets, revenues, gains and losses, and expenses are classified based on donor-imposed restrictions. Accordingly, the net assets of Anne Ray and changes therein are classified and reported as follows:

- Without Donor Restrictions – Net assets over which the Directors have discretionary control.
- With Donor Restrictions – Net assets subject to donor-imposed restrictions.

Anne Ray has no net assets with donor restrictions.

Investments

Investments, including alternative investments, are stated at fair value based either on quoted market prices or, for certain investments with no readily available quoted market prices, at fair values as determined by management based on review of valuation information provided by Anne Ray's investment managers and other factors. Directly owned positions consist of public equities; credit securities; private investments focused in equity, credit and real asset strategies; and equity, foreign currency and interest rate derivatives. Public equities are generally valued using the official close price as quoted on the primary exchange as of the report date. Credit securities are generally valued using prices obtained from third-party pricing vendors which primarily use broker quotes and other observable market data. Private investments are generally valued using unobservable inputs including third-party appraisals that primarily use discounted projected cash flows or market comparables, and recent transaction activity. Equity, foreign currency and interest rate derivatives consist of exchange-traded futures, options and forward foreign currency contracts. Exchange-traded futures and options are valued based on quoted prices from the exchange. Over-the-counter options are valued using prices obtained from third-party pricing vendors which utilize pricing models and other observable market data. Forward foreign currency contracts are valued based on forward foreign exchange rates applied to the notional amounts stated in the contracts. Mutual funds, including money market funds, are valued at net asset value (NAV).

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments – continued

Alternative investments consist of investments in commingled funds, fund of funds and other private investment entities with no readily available quoted market price. In valuing these investments, management considers the audited financial statements of the investee, the cost of the investments, developments since acquisition, estimates as to the effect of future developments, general economic conditions, and other pertinent factors. Anne Ray uses the “practical expedient” under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820: *Fair Value Measurements and Disclosures*, which allows for the use of Anne Ray’s proportionate share of the NAV as fair value if certain conditions are met. These alternative investments are included among equities, credit, private credit, private equity, and real assets categories as shown in Note 3.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. Anne Ray has elected to measure all investments at fair value. Anne Ray may elect to measure newly acquired financial instruments at fair value in the future.

Investment return, net, on the statements of activities includes net unrealized gains and losses, realized gains and losses, and interest and dividend income, net of investment expenses. Purchases and sales of investments are reflected on a trade-date basis. Realized gains or losses on sales are based on the specific identification method. Interest income is recorded on the accrual basis, and dividend income is recorded on the ex-dividend date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

Grants

Grant commitments are charged to operations at the time the grants are approved. Grants that are payable and considered long term are recorded at their net present value. A conditional promise to give is recognized in the period in which the recipient meets the terms of the condition. As of December 31, 2022 and 2021, Anne Ray had conditional grants outstanding of \$9,024,829 and \$11,884,762, respectively. Included in Receivables and Prepaid Expenses are certain conditional grants advanced to grantees for future program implementation of \$5,479,007 and \$5,793,762 as of December 31, 2022 and 2021, respectively.

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Concentration of Credit Risk

At times during the year, Anne Ray may have cash in excess of federally insured limits of \$250,000 per financial institution.

Income Tax Status

Anne Ray has been recognized by the Internal Revenue Service as exempt from income tax under Section 501(c)(3) of the IRC and, accordingly, is generally not subject to income tax. However, Anne Ray is subject to taxes on unrelated trade or business income.

Anne Ray has adopted guidance regarding the recognition of uncertain tax positions. Anne Ray believes it has appropriate support for unrelated trade or business positions and, as a result, does not have uncertain tax positions that have a material impact on its financial statements.

Distribution Requirements

Anne Ray is subject to IRC provisions requiring it to annually disburse an amount which is the greater of 85% of net income as defined by tax rules or 3.5% of the fair market value of investment assets as defined by tax rules. This payout requirement may be satisfied by payments for grants, direct conduct of charitable activities and grantmaking expenses. Anne Ray exceeded the distribution requirements for the years ended December 31, 2022 and 2021.

Classification of Expenses

Grants and expenses associated with Anne Ray's grantmaking activities are considered to be program expenses while all other expenses of Anne Ray are considered to be either investment or management and general expenses.

Foreign Currency

Investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investments and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value Measurements

Anne Ray measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own judgments about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Anne Ray may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

Fair value measurement categorizes the inputs used to measure fair value into the following three categories:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Anne Ray has the ability to access as of the measurement date. The types of investments typically considered Level 1 include public equities, exchange traded futures and mutual funds;
- Level 2: Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active. Investments typically classified as Level 2 include credit securities, options and forward foreign currency contracts;
- Level 3: Inputs that are unobservable. Unobservable inputs reflect Anne Ray's own assumptions about the factors market participants would use in pricing investments and are based on the best information available in the circumstances. Investments typically classified as Level 3 include certain equity, private credit and real asset investments where the valuation was based on unobservable market data, and certain investments in funds which are not valued using NAV as a practical expedient. Level 3 investments were valued using third-party appraisals that primarily use discounted projected cash flows or market comparables, and recent transaction activity.

Investments valued using NAV as a practical expedient have not been categorized within the fair value hierarchy in accordance with ASC Topic 820.

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 2 – INVESTMENTS

Investments are stated at fair value and consisted of the following at December 31, 2022 and 2021:

| | 2022 | |
|---------------------------|------------------|------------------|
| | Cost | Fair Value |
| Cash and Cash Equivalents | \$ 174,197,776 | \$ 174,204,156 |
| Equity | 1,071,485,671 | 1,225,249,138 |
| Credit | 1,226,476,239 | 1,272,689,119 |
| Private Credit | 222,683,419 | 330,735,017 |
| Private Equity | 408,783,065 | 737,911,286 |
| Real Assets | 671,404,140 | 980,595,813 |
| | \$ 3,775,030,310 | \$ 4,721,384,529 |
| | 2021 | |
| | Cost | Fair Value |
| Cash and Cash Equivalents | \$ 475,120,776 | \$ 475,116,877 |
| Equity | 1,148,128,584 | 1,644,012,679 |
| Credit | 1,185,378,946 | 1,322,051,240 |
| Private Credit | 184,536,192 | 291,464,551 |
| Private Equity | 332,535,538 | 763,702,922 |
| Real Assets | 647,216,122 | 971,105,845 |
| | \$ 3,972,916,158 | \$ 5,467,454,114 |

As of December 31, 2022, Anne Ray has committed approximately \$963 million in capital to be called over the next 1 to 12 years.

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 3 – FAIR VALUE MEASUREMENTS

Anne Ray values its investments as described in Note 1. The tables that follow set forth information about the level within the fair value hierarchy at which Anne Ray’s investments are measured at December 31, 2022 and 2021:

December 31, 2022

| | Level 1 | Level 2 | Level 3 | Investments Measured at NAV | Total |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------------------|-------------------------|
| Investments: | | | | | |
| Securities: | | | | | |
| Equity | \$ 224,822,763 | \$ - | \$ 6,458 | \$ - | \$ 224,829,221 |
| Credit | - | 510,000,478 | - | - | 510,000,478 |
| Private Credit | - | - | 4,206,477 | - | 4,206,477 |
| Private Equity | - | - | - | - | - |
| Real Assets | - | - | 80,413,452 | - | 80,413,452 |
| Total Securities | 224,822,763 | 510,000,478 | 84,626,387 | - | 819,449,628 |
| Funds: | | | | | |
| Equity | \$ 5,398,025 | \$ - | \$ - | \$ 992,146,626 | \$ 997,544,651 |
| Credit | 54,726,921 | - | - | 687,708,384 | 742,435,305 |
| Private Credit | - | - | - | 326,528,540 | 326,528,540 |
| Private Equity | - | - | - | 737,911,286 | 737,911,286 |
| Real Assets | - | - | 66,341,811 | 833,840,550 | 900,182,361 |
| Money Market | 132,917,771 | - | - | - | 132,917,771 |
| Total Funds | 193,042,717 | - | 66,341,811 | 3,578,135,386 | 3,837,519,914 |
| Derivatives: | | | | | |
| Futures | \$ 18,213,442 * | \$ - | \$ - | \$ - | \$ 18,213,442 |
| Options | - | - | - | - | - |
| Forward currency contracts-asset | - | 78,672,494 | - | - | 78,672,494 |
| Forward currency contracts-liability | - | (73,757,334) | - | - | (73,757,334) |
| Total Derivatives | 18,213,442 | 4,915,160 | - | - | 23,128,602 |
| Total | \$ 436,078,922 | \$ 514,915,638 | \$ 150,968,198 | \$ 3,578,135,386 | 4,680,098,144 |
| Cash | | | | | 1,578,716 |
| Investment-related receivables | | | | | 41,391,545 |
| Investment-related payables | | | | | (1,683,876) |
| Total Investments | | | | | <u>\$ 4,721,384,529</u> |

* Futures are valued based on Level 1 inputs. Amount included above represents the variation margin on open futures positions with a cumulative unrealized loss of \$9,904,811 at December 31, 2022.

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 3 – FAIR VALUE MEASUREMENTS – Continued

| <u>December 31, 2021</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Investments Measured at NAV</u> | <u>Total</u> |
|--------------------------------------|-----------------------|-----------------------|-----------------------|--|-------------------------|
| Investments: | | | | | |
| Securities: | | | | | |
| Equity | \$ 290,010,722 | \$ - | \$ 7,097 | \$ - | \$ 290,017,819 |
| Credit | - | 454,158,933 | - | - | 454,158,933 |
| Private Credit | - | - | 4,274,355 | - | 4,274,355 |
| Private Equity | - | - | - | - | - |
| Real Assets | - | - | 76,742,914 | - | 76,742,914 |
| Total Securities | 290,010,722 | 454,158,933 | 81,024,366 | - | 825,194,021 |
| Funds: | | | | | |
| Equity | \$ 6,749,123 | \$ - | \$ - | \$ 1,345,605,507 | \$ 1,352,354,630 |
| Credit | 13,918,588 | - | - | 845,374,473 | 859,293,061 |
| Private Credit | - | - | - | 287,190,196 | 287,190,196 |
| Private Equity | - | - | - | 763,702,922 | 763,702,922 |
| Real Assets | - | - | 55,910,415 | 838,452,516 | 894,362,931 |
| Money Market | 359,024,698 | - | - | - | 359,024,698 |
| Total Funds | 379,692,409 | - | 55,910,415 | 4,080,325,614 | 4,515,928,438 |
| Derivatives: | | | | | |
| Futures | \$ 11,123,046 * | \$ - | \$ - | \$ - | \$ 11,123,046 |
| Options | - | (3,496,200) | - | - | (3,496,200) |
| Forward currency contracts-asset | - | 29,268,940 | - | - | 29,268,940 |
| Forward currency contracts-liability | - | (26,656,310) | - | - | (26,656,310) |
| Total Derivatives | 11,123,046 | (883,570) | - | - | 10,239,476 |
| Total | \$ 680,826,177 | \$ 453,275,363 | \$ 136,934,781 | \$ 4,080,325,614 | 5,351,361,935 |
| Cash | | | | | 27,661,100 |
| Investment-related receivables | | | | | 95,670,306 |
| Investment-related payables | | | | | (7,239,227) |
| Total Investments | | | | | \$ 5,467,454,114 |

* Futures are valued based on Level 1 inputs. Amount included above represents the variation margin on open futures positions with a cumulative unrealized gain of \$14,201,324 at December 31, 2021.

Cash and investment-related receivables and payables are included in the tables above to reconcile to the investment amounts on the statements of financial position.

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 3 – FAIR VALUE MEASUREMENTS – Continued

The following tables detail purchases and transfers into and out of Level 3 for the years ended December 31, 2022 and 2021.

| 2022 | | | | |
|----------------------------|---------------|----------------|--------------|--------------|
| Investments in Securities: | | | | |
| | Equity | Private Credit | Real Assets | Total |
| Purchases | \$ - | \$ - | \$ 4,882,190 | \$ 4,882,190 |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Investments in Funds: | | | | |
| | Real Assets | Total | | |
| Purchases | \$ 17,195,420 | \$ 17,195,420 | | |
| Transfers In | - | - | | |
| Transfers Out | - | - | | |
| 2021 | | | | |
| Investments in Securities: | | | | |
| | Equity | Private Credit | Real Assets | Total |
| Purchases | \$ - | \$ 4,917,865 | \$ - | \$ 4,917,865 |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Investments in Funds: | | | | |
| | Real Assets | Total | | |
| Purchases | \$ 8,613,504 | \$ 8,613,504 | | |
| Transfers In | - | - | | |
| Transfers Out | - | - | | |

There were no transfers in or out of Level 3 for the years ended December 31, 2022 or 2021.

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 3 – FAIR VALUE MEASUREMENTS – Continued

The following tables list investment funds valued using NAV as a practical expedient by major category:

| | 2022 | | | |
|----------------|----------------|-------------------------|--|-----------------------------|
| | NAV | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
| Equity | \$ 992,146,626 | \$ - | Daily to Quarterly* | 2 to 120 days |
| Credit | 687,708,384 | 3,000,000 | Daily to Not Available** | 1 to 90 days |
| Private Credit | 326,528,540 | 155,650,742 | Not Available | Not Applicable |
| Private Equity | 737,911,286 | 362,322,479 | Not Available | Not Applicable |
| Real Assets | 833,840,550 | 415,104,857 | Quarterly to Not Available | 45 days to Not Applicable |

* Approximately 8% is subject to lock-up restrictions, including a rolling 2-year lock-up and a fund in final liquidation that has suspended redemption activity.

** Approximately 6% is subject to a rolling 1-year lock-up.

| | 2021 | | | |
|----------------|------------------|-------------------------|--|-----------------------------|
| | NAV | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
| Equity | \$ 1,345,605,507 | \$ - | Daily to Quarterly* | 2 to 120 days |
| Credit | 845,374,473 | - | Daily to Not Available** | 1 to 90 days |
| Private Credit | 287,190,196 | 169,389,133 | Not Available | Not Applicable |
| Private Equity | 763,702,922 | 377,530,592 | Not Available | Not Applicable |
| Real Assets | 838,452,516 | 356,068,250 | Quarterly to Not Available*** | 45 days to Not Applicable |

* Approximately 16% is subject to rolling lock-ups ranging from 2-5 years.

** Approximately 5% is subject to lock-up restrictions, including lock-up restrictions expiring in the next year and a rolling 1-year lock-up.

*** Approximately 9% is subject to lock-up restrictions expiring in the next year.

For investment funds where redemptions are not available, the timing of expected liquidation is unknown.

Equity funds generally invest globally (U.S. and non-U.S. markets) in large-, mid- or small- capitalization common or preferred stocks or convertible bonds. Equity funds also include funds with equity long/short and market neutral strategies. Funds with these strategies generally invest in diversified portfolios, including equities, fixed income securities and derivatives; these funds may use leverage, sell financial instruments short and/or invest in illiquid investments.

Credit funds generally invest in interest-bearing securities that make periodic payments including bonds, Treasury issues, mortgage and other asset-backed securities, and non-U.S. dollar-denominated debt instruments, all of which may be of varying maturity, currency exposure and credit quality. Credit funds also include funds with macro, relative value, and event driven strategies. Funds with these strategies generally invest in diversified portfolios, including equities, fixed income securities and derivatives; these funds may use leverage, sell financial instruments short and/or invest in illiquid investments.

Private credit funds generally invest in both public and private financial instruments, debt and equity securities, real estate assets, and their related instruments. These funds may also participate in the origination of loans and may use leverage. These investments are generally illiquid.

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 3 – FAIR VALUE MEASUREMENTS – Continued

Private equity funds generally make investments, both global and domestic, directly into private companies or conduct buyouts of public companies that may result in a delisting of public equity. Capital can be used to fund new technologies, to expand working capital within an owned company, to make acquisitions or to strengthen a balance sheet, among other things. These investments are generally illiquid and may use leverage.

Real assets funds generally make domestic and global investments in timber, real estate, commodities, infrastructure, agriculture, energy and energy-related investments. They may be public or private investments and may use leverage.

The fair value of Anne Ray's investments is based on available information and does not necessarily represent amounts that might ultimately be realized, which depend on changing circumstances and cannot be reasonably determined until the investments are actually liquidated. The fair value may differ significantly from the values which would have been used had a ready market for the investments existed.

NOTE 4 – DERIVATIVE INSTRUMENTS

Anne Ray utilizes futures to gain market exposure to various equity indices, currencies and interest rates at a reasonable cost. Anne Ray utilizes interest rate options to hedge inflation risk, interest rate swaps to offset interest rate risk and sells equity options to collect premiums within certain strategies. Anne Ray utilizes forward currency contracts to hedge foreign currency exposure.

Anne Ray accounts for derivative financial instruments in accordance with ASC 815, *Derivatives and Hedging*. Anne Ray records all derivative instruments at fair value and these derivatives do not have hedge designation.

Upon entering into a futures contract, Anne Ray is required to deposit cash with the broker in an amount equal to the margin requirement for the contract. The fluctuations in fair value during the contract term are recognized as unrealized gains or losses and are settled daily with cash through a margin account held at the broker (referred to as variation margin). When a contract is closed, Anne Ray recognizes a realized gain or loss.

Upon entering into a forward foreign currency contract, Anne Ray agrees to exchange one currency for another on an agreed-upon date at an agreed-upon exchange rate. The fluctuations in fair value are recognized as unrealized gains or losses until the contract is settled, at which time a realized gain or loss is recognized.

Upon entering into a purchased option contract, Anne Ray has the right, but not the obligation, to buy or sell within a limited time, a financial instrument at a contracted price that may also be settled in cash, based on differentials between specified indices or prices. Upon entering into a written option contract, Anne Ray is obligated, in return for a premium, to buy or sell within a limited time, a financial instrument at a contracted price that may also be settled in cash based on differentials between specified indices or prices. Fluctuations in fair value are recognized as unrealized gains or losses until the contract option is exercised or the contract is closed, at which time Anne Ray recognizes a realized gain or loss.

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 4 – DERIVATIVE INSTRUMENTS – Continued

Upon entering into a swap agreement, Anne Ray agrees to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset(s). The payment flows are usually netted against each other, with the difference being paid by one party to the other. In addition, collateral may be pledged or received by Anne Ray Foundation in accordance with the terms of the respective swaps to provide value and recourse to Anne Ray Foundation or its counterparties in the event of default, bankruptcy or insolvency by one of the parties to the swap.

Derivative instruments have market risks, including the risk that equity markets, interest rate markets and currency markets may change, resulting in a loss in the value of the investment. Credit risk associated with these instruments includes the risk of failure of the counterparty to pay based on the contractual terms of the agreement.

The fair value of the derivative instruments included in the investments line item on the statements of financial position as of December 31, 2022 and 2021 are listed in the table below:

| | 2022 | |
|--|-----------------|-------------------|
| | Notional Value | Fair Value |
| | Long (Short) | Asset (Liability) |
| Equity Contracts | | |
| Futures- Liabilities | \$ 293,006,291 | \$ (1,717,404) * |
| Foreign Currency Contracts | | |
| Futures- Liabilities | 3,252,480 | (322,491) * |
| Forward Currency Contracts-Assets | 1,746,913,766 | 78,672,494 |
| Forward Currency Contracts-Liabilities | (1,659,619,916) | (73,757,334) |
| Interest Rate Contracts | | |
| Futures- Assets | 1,924,980,234 | 20,253,337 * |

* Amount included above represents the variation margin on open futures positions. Open futures contracts consist of long equity and interest rate futures with cumulative unrealized losses of \$7,836,849 and \$2,074,134, respectively and long foreign currency futures with cumulative unrealized gains of \$6,171 at December 31, 2022.

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 4 – DERIVATIVE INSTRUMENTS – Continued

| | 2021 | |
|--|--------------------------------|---------------------------------|
| | Notional Value Long (Short) | Fair Value Asset (Liability) |
| Equity Contracts | | |
| Futures- Liabilities | \$ 383,232,902 | \$ (963,036) * |
| Foreign Currency Contracts | | |
| Futures- Liabilities | 5,612,550 | (9,364) * |
| Forward Currency Contracts-Assets | 1,209,737,521 | 29,268,940 |
| Forward Currency Contracts-Liabilities | (1,054,476,762) | (26,656,310) |
| Interest Rate Contracts | | |
| Futures- Assets | 1,136,327,539 | 12,095,446 * |
| Options- Assets | 90,000,000 | 1,265,571 |
| Options- Liabilities | 210,000,000 | (4,761,771) |

* Amount included above represents the variation margin on open futures positions. Open futures contracts consist of long equity, foreign currency and interest rate futures with cumulative unrealized gains of \$6,032,182, \$2,870 and \$8,166,272, respectively, at December 31, 2021.

Net gains and losses from derivative instruments included in the statements of activities for the years ended December 31, 2022 and 2021 are listed in the tables below:

| | 2022 | |
|----------------------------|----------------------------|------------------------------|
| | Realized Gains (Losses) | Unrealized Gains (Losses) |
| Equity Contracts | | |
| Futures | \$ (77,742,346) | \$ (13,869,030) |
| Options | (349,896) | - |
| Foreign Currency Contracts | | |
| Futures | (477,624) | 3,301 |
| Forward Currency Contracts | 35,829,968 | 2,309,151 |
| Interest Rate Contracts | | |
| Futures | (145,293,899) | (10,240,405) |
| Options | 9,360,465 | 3,496,200 |
| Swaps | (1,258,200) | - |
| Total | <u>\$ (179,931,532)</u> | <u>\$ (18,300,783)</u> |

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 4 – DERIVATIVE INSTRUMENTS – Continued

| | 2021 | |
|----------------------------|----------------------------|------------------------------|
| | Realized Gains (Losses) | Unrealized Gains (Losses) |
| Equity Contracts | | |
| Futures | \$ 63,815,038 | \$ (2,033,608) |
| Options | 933,296 | - |
| Foreign Currency Contracts | | |
| Futures | 7,496 | (9,235) |
| Forward Currency Contracts | (342,056) | 8,175,262 |
| Interest Rate Contracts | | |
| Futures | (20,399,122) | 7,098,771 |
| Options | 10,350,000 | (3,880,239) |
| Total | <u>\$ 54,364,652</u> | <u>\$ 9,350,951</u> |

The average notional values of derivative instruments (based on quarter-end balances) for the years ended December 31, 2022 and 2021, are listed in the table below:

| | Average Notional Values | |
|--|-------------------------|-----------------|
| | 2022 | 2021 |
| Equity Contracts | | |
| Futures- Assets | \$ 331,235,532 | \$ 342,716,199 |
| Options- Liabilities | - | (10,727,800) |
| Foreign Currency Contracts | | |
| Futures- Liabilities | 4,365,169 | 4,626,152 |
| Forward Currency Contracts-Assets | 1,717,497,841 | 1,203,309,534 |
| Forward Currency Contracts-Liabilities | (1,400,934,723) | (1,028,383,251) |
| Interest Rate Contracts | | |
| Futures- Assets | 1,446,997,541 | 1,224,037,542 |
| Options- Assets | 162,000,000 | 300,000,000 |

Anne Ray holds over-the-counter derivative instruments that are subject to an enforceable master netting arrangement. Anne Ray presents these derivative instruments on a gross basis in Note 3 even though they may qualify for net presentation if they were executed with the same counterparty under the same master netting agreement.

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 4 – DERIVATIVE INSTRUMENTS – Continued

The following table provides disclosure regarding the potential effect of offsetting of recognized assets and liabilities as of December 31, 2022 and 2021:

| | 2022 | | |
|--|-----------------------------|--------------------|--------------|
| | Gross Amounts Recognized | Amounts Not Offset | Net Amount |
| Foreign Currency Contracts | | | |
| Forward Currency Contracts-Assets | \$ 78,672,494 | (63,387,322) | 15,285,172 |
| Forward Currency Contracts-Liabilities | (73,757,334) | 63,387,322 | (10,370,012) |
| | | | |
| | 2021 | | |
| | Gross Amounts Recognized | Amounts Not Offset | Net Amount |
| Foreign Currency Contracts | | | |
| Forward Currency Contracts-Assets | \$ 29,268,940 | (20,325,680) | 8,943,260 |
| Forward Currency Contracts-Liabilities | (26,656,310) | 20,325,680 | (6,330,630) |
| Interest Rate Contracts | | | |
| Interest Rate Options - Assets | 1,265,571 | - | 1,265,571 |
| Interest Rate Options - Liabilities | (4,761,771) | - | (4,761,771) |

NOTE 5 – RELATED-PARTY TRANSACTIONS

During 2022 and 2021, Anne Ray was a party to a shared services agreement with a related party, Margaret A. Cargill Foundation (MAC Foundation), for certain services such as grantmaking, investment management and execution, financial, and general and administrative. Costs were allocated to Anne Ray based on metrics such as relative grantmaking allocations, investment values, people and other relevant measures. Anne Ray incurred 54% and 53% of the total cost of these services for the years ended December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, the net amounts reimbursable from Anne Ray to MAC Foundation were \$20,265,661 and \$20,707,791, respectively. The costs of these services are included in grantmaking expense, management and general expense, and investment expense; investment expense is netted against investment return in the statements of activities. The net amount due at December 31, 2022 and 2021 under this arrangement was \$13,252,538 and \$15,155,396, respectively. The related-party liability is included in accounts payable and other liabilities in the accompanying statements of financial position.

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 6 – EXPENSES

The tables below present expenses by both their nature and their function for the years ended December 31, 2022 and 2021.

| | 2022 | | |
|--------------------------------------|---------------------------|---------------------------|-----------------------|
| | Grants and Grantmaking | Management and General | Total Expenses |
| Grants | \$ 149,584,662 | \$ - | \$ 149,584,662 |
| Compensation and Benefits | 6,308,621 | 2,608,289 | 8,916,910 |
| Occupancy | 1,189,499 | 848,923 | 2,038,422 |
| Consulting and Professional Services | 1,132,067 | 539,501 | 1,671,568 |
| Travel and Conferences | 501,330 | 148,228 | 649,558 |
| Technology and Office Equipment | 436,468 | 248,657 | 685,125 |
| Interest | 219,010 | - | 219,010 |
| Other | 357,429 | 255,238 | 612,667 |
| Total | \$ 159,729,086 | \$ 4,648,836 | \$ 164,377,922 |

| | 2021 | | |
|--------------------------------------|---------------------------|---------------------------|-----------------------|
| | Grants and Grantmaking | Management and General | Total Expenses |
| Grants | \$ 158,884,019 | \$ - | \$ 158,884,019 |
| Compensation and Benefits | 7,078,151 | 3,505,129 | 10,583,280 |
| Occupancy | 1,000,598 | 645,299 | 1,645,897 |
| Consulting and Professional Services | 1,473,142 | 525,880 | 1,999,022 |
| Travel and Conferences | 29,809 | 18,794 | 48,603 |
| Technology and Office Equipment | 472,531 | 225,224 | 697,755 |
| Interest | - | - | - |
| Other | 250,570 | 173,047 | 423,617 |
| Total | \$ 169,188,820 | \$ 5,093,373 | \$ 174,282,193 |

Costs are allocated to grantmaking and management and general based on certain metrics such as people and square footage.

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 7 – INCOME TAX

Anne Ray is subject to federal and state income tax on unrelated business income (UBI) activities of certain investments, generally taxed at regular corporate income tax rates. Anne Ray reported net UBI losses from these activities in most jurisdictions. Anne Ray estimates these activities will not result in material net UBI for the years ended December 31, 2022 or 2021.

| | 2022 | 2021 |
|----------------------------|------------|-------------|
| Expense (Benefit): | | |
| Current UBI Tax | \$ 180,720 | \$ - |
| Other Taxes | (29,304) | (49,452) |
| Total | \$ 151,416 | \$ (49,452) |
| Current UBI Tax Receivable | \$ 48,602 | \$ 76,529 |

NOTE 8 – GRANTS PAYABLE

Anne Ray has future grant commitments as follows as of December 31, 2022:

| <u>Year Payable</u> | | | |
|----------------------------|--|----|----------------|
| 2023 | | \$ | 75,080,000 |
| 2024 | | | 30,068,000 |
| 2025 | | | 5,820,000 |
| 2026 | | | 3,000,000 |
| Discount on Grants Payable | | | (2,008,771) |
| Total | | | \$ 111,959,229 |

Discounts based on short-term interest rates ranging from 0.8% to 4.4% were used to estimate the net present value of grants payable.

Anne Ray Foundation
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 9 – LIQUIDITY

Anne Ray structures its financial assets to be available and liquid as its grants, general expenditures, liabilities, and other obligations become due. To achieve this, Anne Ray uses a rolling 12-month cash flow forecast and monitors its liquidity on a monthly basis. Consistent with its investment policy, Anne Ray holds at least 25% of its investment portfolio in assets that can be sold within one month and it invests excess cash in short-term investments such as money market funds. Anne Ray also has additional liquidity available through its line of credit (discussed further in Note 10).

| Financial assets available within one year: | 2022 | 2021 |
|--|------------------|------------------|
| Cash and Cash Equivalents | \$ 27,368,146 | \$ 19,434,940 |
| Receivables | 48,602 | 76,529 |
| Investments | 2,641,576,456 | 3,354,560,605 |
| Total financial assets available within one year | \$ 2,668,993,204 | \$ 3,374,072,074 |

NOTE 10 – LINE OF CREDIT

Anne Ray has unsecured lines of credit totaling \$125,000,000 as of December 31, 2022 and 2021. The lines of credit have interest rates of either Secured Overnight Financing Rate (SOFR) plus 0.85% or the lender’s prime rate, elected by Anne Ray at the time of borrowing. As of and during the year ended December 31, 2022, Anne Ray borrowed \$27,000,000, included in loans payable in the accompanying statements of financial position, incurring interest at an average annual borrowing rate of 4.78%. There were no borrowings against the lines of credit as of and during the year ended December 31, 2021.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, Anne Ray has evaluated events and transactions for potential recognition or disclosure in these financial statements through September 18, 2023, the date the financial statements were available to be issued.

In February 2023, Anne Ray repaid the outstanding line of credit borrowing of \$27,000,000 in its entirety.

No other material events require recognition or disclosure in the financial statements.